RB-2001-02 Communication with External Auditors

The Department is issuing this bulletin to improve the coordination and communication between external auditors and examiners. This bulletin provides guidelines regarding information that should be provided by credit unions to their external auditors and meetings between external auditors and examiners in connection with examinations.

BACKGROUND

The Department recognizes that the cooperative efforts of examiners, credit unions, and external auditors are essential to conducting a thorough examination. The sharing of information and discussions of the methodologies used enable examiners and auditors alike to develop a more complete understanding of the condition of a credit union. Further, this cooperation allows both parties to maximize the effectiveness of their resources by utilizing each other's work. This is particularly important since the Department is seeking to reduce regulatory burden by tailoring the scope of examinations to avoid unnecessary duplication of the work performed by external auditors.

COORDINATION OF EXTERNAL AUDITS AND EXAMINATIONS

In most cases, the Department provides credit unions with advance notice of the starting date(s) of examinations. When notified, a credit union is encouraged to promptly advise its external auditor of the date(s) and scope of supervisory examinations in order to facilitate the auditor's planning and scheduling of audit work. The external auditor may also advise the Department regarding the planned dates for auditing work

on the credit union's premises in order to facilitate coordination with the examiners.

Some credit unions prefer that audit work be completed at different times from examination work in order to reduce demands upon their staff members and facilities. On the other hand, some institutions prefer to have audit work and examination work performed during similar periods in order to limit the impact of these efforts on the credit union's operations to certain times during the year. By knowing in advance when examinations are planned, credit unions have the flexibility to work with their external auditors to schedule audit work concurrent with examinations or at separate times depending upon management's preference.

OTHER INFORMATION PROVIDED BY THE CREDIT UNION¹

Consistent with prior practice, a credit union should provide its external auditors with a copy of certain reports and supervisory documents, including:

- The most recent Report of Condition (i.e., "Call Reports, NCUA Form 5300");
- The most recent examination report and pertinent correspondence received from the Department;
- Any supervisory action with the credit union that has been put into effect since the beginning of the period covered by the audit; and
- Any written agreement between the Department and the credit union that has been put into effect since the beginning of the period covered by the audit.

EXTERNAL AUDITOR ATTENDANCE AT MEETINGS

Generally, the Department will not interpose an objection to auditors attending examination exit conferences upon completion of field work or other meetings between examiners and a credit union's management or Board of Directors (or a committee thereof) at which examination findings are discussed that are relevant to the scope of the audit. When other conferences between examiners and management are scheduled (i.e., that do not involve examination findings that are relevant to the scope of the external auditor's work), the credit union shall first obtain the approval of the Department in order for the auditor to attend the meetings. This guideline does not preclude the Department from holding meetings with the management of a credit union without auditor attendance or from requiring that the auditor attend only certain portions of the meetings.

Credit unions should ensure that their external auditors are informed in a timely manner of scheduled exit conferences and other relevant meetings with examiners and of the Department's guidelines regarding auditor attendance at such meetings.

MEETINGS AND DISCUSSIONS BETWEEN AUDITORS AND EXAMINERS

An external auditor may request a meeting with the Department in order to inquire about supervisory matters relevant to the credit union under audit. External auditors should provide an agenda in advance to the Department. The Department will generally request that management of the credit union under audit be represented at the meeting. In this regard, examiners generally will only discuss with an auditor examination findings that have been presented to the credit union's management.

In certain cases, external auditors may wish to discuss with the Department matters relevant to the credit union under audit at meetings without the representatives from the credit union's management. External auditors may request such confidential meetings with the Department and the Department may also request such meetings with the external auditor.

CONFIDENTIALITY OF SUPERVISORY INFORMATION

While these guidelines permit external auditors to have access to the previously mentioned information on credit unions under audit, credit unions and their auditors are reminded that information contained in examination reports and supervisory discussions — including summaries or quotations — is confidential supervisory information and must not be disclosed to any party. The Department may request under certain circumstances that the external auditors sign a confidentiality agreement. Regardless, unauthorized disclosure of confidential supervisory information may result in civil and criminal actions and fines and other penalties.

1 A refusal by a credit union to allow the external auditor to review communications from the Department would ordinarily be a limitation on scope of the audit sufficient to preclude an opinion (see paragraph 7 of the American Institute of Certified Public Accountants Statement on Auditing Standards (SAS) No. 58, Reports on Audited Financial Statements).